

Report on  
Market Conduct Examination

of

Bankers Life and Casualty Company  
Chicago, Illinois

by Representatives of the  
North Carolina Department of Insurance

as of

November 4, 2015

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Raleigh, North Carolina  
November 4, 2015

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
430 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Anne Melissa Dowling  
Acting Director  
Illinois Department of Insurance  
320 W. Washington Street  
Springfield, Illinois 62767-0001

Honorable Commissioner and Honorable Acting Director:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

**Bankers Life and Casualty Company (NAIC # 61263)**  
NAIC Exam Tracking System Exam Number: NC299-M73  
Chicago, Illinois

hereinafter generally referred to as the Company, at the Company's office located at 122 South Michigan Avenue - 19<sup>th</sup> Floor, Chicago, Illinois, and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on April 20, 2015, and covered the period of January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through October 13, 2015. This action was taken due to market analysis on long-term care. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in underwriting and claims. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate section of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 7 percent for claims practices; and 10 percent for all other areas reviewed.

## EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

*Claims Practices* – Individual Long-Term Care Claims Denied: Failure to send a status report 45 days after the claim was received from the insured.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the Department Web site [www.ncdoi.com](http://www.ncdoi.com) by clicking "INSURANCE DIVISIONS" then "Legislative Services".

This examination identified statutory violations, which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

### **UNDERWRITING PRACTICES**

#### Individual Long-Term Care Issued

The Company provided a listing of 162 individual long-term care issued policy files. Fifty files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a policy was 31 calendar days. A chart of the service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	8	16.0
8 - 14	5	10.0
15 - 21	8	16.0
22 - 30	6	12.0
31 - 60	14	28.0
Over 60	9	18.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

#### Individual Long-Term Care Declined

The Company provided a listing of 125 individual long-term care declined application files. Fifty files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and decline an application was 28 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	3	6.0
8 - 14	5	10.0
15 - 21	11	22.0
22 - 30	15	30.0
31 - 60	13	26.0
Over 60	3	6.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

#### Individual Long-Term Care Issued Substandard

The Company offers long-term care coverage for risks deemed uninsurable at standard rates by normal standards. These substandard issued policies typically reflect higher rates based on an applicant's medical history such as chronic conditions controlled by medication, smokers with no related symptoms, or Body Mass Index (BMI) that meets the definition of overweight but not obese which may not necessarily warrant an outright denial of coverage. The decision to offer these substandard policies is determined during the application review and underwriting process.

The entire population of 34 individual long-term care issued substandard policy files was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a substandard policy was 25 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	4	11.8
8 - 14	5	14.7
15 - 21	8	23.5
22 - 30	5	14.7
31 - 60	11	32.4
Over 60	1	2.9
<b>Total</b>	<b>34</b>	<b>100.0</b>

### Individual Long-Term Care Replacements

The Company reported no individual long-term care policies were replaced during the examination period.

## **CLAIMS PRACTICES**

### Individual Long-Term Care Claims Paid

The entire population of 186 individual long-term care claims paid files was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim payment was 34 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	3	6.0
8 - 14	2	4.0
15 - 21	2	4.0
22 - 30	6	12.0
31 - 60	36	72.0
Over 60	1	2.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

### Individual Long-Term Care Claims Denied

The entire population of 35 individual long-term care claims denied files was reviewed.

The Company did not adhere to the provisions of 11 NCAC 4.0319(5) as three claims (8.6 percent error ratio) did not contain proof of a status report being sent 45 days after claim receipt from the insured.

Two files (5.7 percent error ratio) were not acknowledged within 30 days after receipt of the claim and/or a claim status report was not sent to the insured every 45 days until the claim was denied.

One claim (2.9 percent error ratio) was denied because the Activities of Daily Living (ADL) assistance provided by the home health aides was not documented in the care notes submitted to the Company. During the Company's claim-appeal review, the home-healthcare



agency's Registered Nurse (RN) informed the Company that the consumer received ADL assistance but the aides failed to document it. The Company did not attempt in good faith to effect prompt, fair and equitable settlement of the claim in which liability had become reasonably clear. This matter could result in non-adherence to the provisions of NCGS 58-63-15(11)(f), if the occurrence is of such frequency as to be considered a general business practice. After careful reconsideration, the Company paid benefits of \$15,700.00 and processed a premium refund check for \$1,919.04.

The average service time to process a claim denial was 42 days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	2	5.7
8 - 14	1	2.9
15 - 21	1	2.9
22 - 30	0	0.0
31 - 60	27	77.1
Over 60	4	11.4
<b>Total</b>	<b>35</b>	<b>100.0</b>

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Company must send status reports 45 days after the claim is received from the insured.

### **CONCLUSION**

A target examination has been conducted on the market conduct affairs of Bankers Life and Casualty Company for the period January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through October 13, 2015.

This examination was conducted in accordance with the Department and the NAIC Market Regulation Handbook procedures, including analyses of Company operations in the areas of underwriting and claims practices.

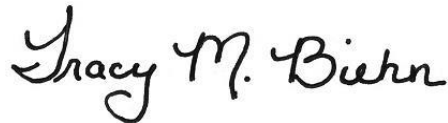
In addition to the undersigned, Shane Masserd, MBA, MCM, MS, and John Curry, CLU, FLMI, REBC, AIRC, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Vicki S. Royal".

Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC  
Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the Department.

A handwritten signature in cursive script that reads "Tracy M. Biehn".

Tracy M. Biehn, MBA, MCM, LPCS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina